AL.C 1998-108c2

CANADIANA

JAN 20 1998

Consultation Paper

Draft Recommendations of the Non-Profit Tax Exemption Review Committee

November 1997

Legislature Office:
723 Legislature Annex
9718 - 107 Street
Edmonton, Alberta T5K 1E4
Telephone: (403) 415-0966
Fax: (403) 422-1671

Constituency Office:
A210 Glenmore Landing
1600 - 90 Avenue SW
Calgary, Alberta T2V 5A8
Telephone: (403) 216-5421
Fax: (403) 216-5423

LEGISLATIVE ASSEMBLY
ALBERTA

Ron Stevens, QC, MLA
Calgary Glenmore Constituency

November 5, 1997

Many municipalities and non-profit groups have expressed concerns about the non-profit exemption provisions in the Municipal Government Act and the Non-Profit Organization Tax Exemption Regulation.

As a result the Minister of Municipal Affairs, the Honourable Iris Evans, established the Non-Profit Tax Exemption Review Committee in June 1997 to review and make recommendations on non-profit tax exemption issues. The Committee has reviewed the history of these issues, listened to stakeholders, and considered various submissions.

Based on its review the Committee has prepared draft recommendations to address the key non-profit issues. The Minister and the Committee now want comments on these draft recommendations from municipalities and other affected parties.

This consultation paper outlines the issues and the draft recommendations to facilitate stakeholder input.

Your views on the draft recommendations are important to the Committee and the time lines are quite tight. Please send or fax your comments by November 21, 1997, to:

Brian Quickfall
Executive Director
Local Government Development Branch
Alberta Municipal Affairs
17th Floor, 10155 - 102 Street
Edmonton, Alberta T5J 4L4
(Fax: 420-1016)

Yours truly,

Ron Stevens, QC, MLA
Chair, Non-Profit Tax Exemption
Review Committee

Digitized by the Internet Archive
in 2015

https://archive.org/details/consultationpape00albe

Introduction

Alberta is well known for its volunteer spirit. Albertans take pride in our willingness to help each other, share in community responsibilities, and respond to crises in families, communities and around the world.

Alberta's vibrant non-profit sector is a direct reflection of our volunteer spirit. Non-profit organizations are a very important force in helping communities grow and develop. Volunteering time, experience and expertise benefits both the volunteer and the people served. It is an expression of citizenship and helps build strong communities. In this way, non-profit organizations make a contribution not only to community spirit and pride, but also to Alberta's overall social and economic well being.

Recognizing the importance of the non-profit sector to the fabric of the province, it has been a longstanding practice to exempt certain organizations from paying property taxes.

In 1995, changes were made to the Municipal Government Act, including provisions related to property tax exemptions for non-profit organizations. Many municipalities and non-profit groups have expressed concerns about those changes. Across the province, different municipalities interpret the legislation and regulations in different ways. Some non-profit organizations that were not taxed in the past were issued tax notices as a result of changes to the legislation. In other cases, municipalities simply chose to exempt certain organizations even though they likely should have been taxed.

This inconsistency has created uncertainty and worry for many non-profit organizations. They fear that an exemption granted in one year may not be continued the next year. Many non-profit organizations have voiced serious concerns about the financial burden of paying property taxes. Requiring volunteers to focus more of their fund-raising efforts to pay property taxes is counter-productive and diverts effort and attention away from the true purpose of the organizations.

On the municipal side, municipalities are looking for clarity and consistency in interpretation of the legislation. They want to understand the "rules of the game" so they can apply them fairly. They recognize the value of non-profit organizations to their communities and are not anxious to apply property taxes if exemptions are possible. At the same time, they do have concerns about maintaining services with limited resources. When fewer organizations pay property taxes, the tax burden increases for those who do.

A further issue is inconsistent treatment of non-profit organizations. Although the Municipal Government Act exempts a long list of non-profit facilities, there are many more organizations that are not included on the list but are generally recognized as benefiting the community. This creates a mismatch among various non-profit organizations.

To address these issues, the Minister of Municipal Affairs, the Honourable Iris Evans, established the Non-Profit Tax Exemption Review Committee in June 1997. The three-person committee is chaired by Ron Stevens, QC, MLA for Calgary Glenmore, and includes Janis Tarchuk, MLA for Banff-Cochrane, and Ivan Strang, MLA for West Yellowhead.

The Committee reviewed the various issues involved, listened to the views of stakeholders, reviewed submissions, legislation and various proposals for change. Based on this review, the Committee has prepared specific recommendations for consideration by the Minister. However, prior to making decisions on the recommendations, both the Minister and the Committee have agreed that interested groups and municipalities should have an opportunity to review and comment on them. With this advice, plans are to proceed with appropriate changes to legislation and regulations in the next few months.

The following sections of this consultation paper outline the issues addressed by the Review Committee and the proposed recommendations. At the end of this paper, a brief questionnaire has been included to assist groups and organizations in providing their comments.

Because timelines for preparing the necessary changes to legislation and regulations are short, we ask that comments on the draft recommendations be returned by November 21, 1997.

Common Themes and Overall Conclusions

Before introducing specific recommendations, it is important to set the context with some overall comments and conclusions.

The most common themes the Committee heard were as follows:

- There should be more clarity in definitions and categories and more consistency in the application of legislation and assessment regulations.
- There should continue to be flexibility at the local level.
- Significant volunteer efforts should be recognized through tax exemptions.
- "Communities of interest" such as sports and recreation groups or cultural and arts groups should be considered exempt in the same way as organizations representing geographic communities.
- Facilities and services taken over by a non-profit organization and previously operated directly by government should not be taxed.
- Contributions to youth programs should be recognized through tax exemptions.
- Small scale commercial activities in a non-profit facility should not be taxed provided that the proceeds are used to support the facility or a worthy service or activity.

In terms of overall comments and conclusions, the Committee's view is that:

- Volunteerism and the work of Alberta's non-profit organizations are vitally important to communities, to individuals and families, and to the social and economic well being of the province.
- Volunteerism, community self-help initiatives, and helping children and disadvantaged groups, should be encouraged, not discouraged by the property tax system.
- If non-profit organizations are unable to operate because of increasing property taxes, the costs to both communities and to government would be more than the lost tax revenue.
- If the province truly values volunteerism, the list of non-profit organizations qualifying for exemptions should be expanded.
- Clearer exemption provisions would ease many of the fears of non-profit organizations that this year's exemptions might not be continued next year.
- While private clubs or other exclusive organizations should not be exempt, special interest organizations that provide reasonable public access to their facilities and activities should normally be exempt from property taxes.
- Most non-profit exemptions should be subject to a municipal override. If residents are not satisfied that a non-profit organization or facility is providing a true benefit to the community, the municipality should be able to cancel the exemption with proper notice.

Overall, the Committee's proposals would broaden the exemptions for non-profit organizations so that those organizations can do even more to make things better for Albertans at a very limited cost to the provincial and municipal governments.

Issues and Recommendations

The issues addressed by the Committee fall into three broad categories:

- General issues
- Deciding which facilities should be exempt
- Other issues.

1. Clarifying Definitions

Issue

The source of several problems is confusion over interpretation of terms in the legislation. During the Committee's information gathering sessions, a majority of submissions called for more clarity in describing exemption categories and conditions.

Recommendation

- **More clarification to definitions should be provided.**

Specifically, the Committee recommends the following definitions:

"**Arts**" means theatre, literature, music, painting, sculpture or graphic arts, and includes any other similar creative or interpretative activity.

"**Charitable or benevolent purpose**" means a purpose involving activities beneficial to the general public, including alleviating poverty, furthering education, or assisting religious good works.

"**Chiefly used**" means utilized for the most part in a given way or for a given purpose, or more specifically utilized in a given way or for a given purpose at a level representing approximately 60 percent of the usage of the property or the part of the property.

"**Community association**" means a voluntary organization made up of residents of an area formed for the purpose of:

(i) enhancing the conditions of the area or enhancing the amenities, public facilities or services provided to the residents of the area, or

(ii) providing non-profit sports or recreational activities to the residents of the area, or

(iii) any combination of the above.

"**Ethno-cultural association**" means an organization formed for the purpose of serving the interests of a community defined in terms of the cultural, ethnic, national or linguistic origins or interests of its members.

"**General public**" means pertaining to the general community, rather than a group with limited membership or a group of business associates.

"**Museum**" means a facility that is established for the purpose of conserving, studying, interpreting, assembling and exhibiting to the public for its instruction and enjoyment art, objects or specimens of educational and cultural value or historical, technological, anthropological, scientific or philosophical inventions, instruments, models or designs.

"**Professional sports franchise**" means a professional sports team operating in the National Hockey League, the Canadian Football League, the National Professional Soccer League, or the Triple A Pacific Coast League.

"**Retail commercial area**" means property or part of a property used to sell food, beverages, merchandise or services.

2. Taxation of Retail Commercial Areas

Issue

Many non-profit organizations engage in a variety of fund raising activities including the sale of food, beverages, gifts, and other related items. These small scale commercial activities should not be taxed if the proceeds are used to support the facility or a worthy service or activity, if the work is performed by the volunteers themselves. However, non-profit facilities leased to commercial businesses should not qualify for a property tax exemption.

Recommendations

- **Any part of a property chiefly used as a retail commercial area would be taxable unless the non-profit organization that holds the facility also holds and operates the retail commercial area, and the funds raised are used to pay all or part of the operating or capital costs of the facility, or to support any other activity or service qualifying for a non-profit property tax exemption.**
- **Any part of a property that is licensed under the Gaming and Liquor Act would be taxable unless the licence is a Class C liquor licence issued under the Gaming and Liquor Regulation.**

1. Sports and Recreation Facilities

Issues

Sports and recreation programs and facilities provide important social and health benefits. They allow families, friends and communities to spend time together. Sports teach children and young people important values and promote an active, healthy lifestyle. Sports activities also contribute to economic growth in many communities and create service and retail jobs. The importance of sports and recreation in communities is reflected in the number of people who are active participants in curling, golf, hockey, swimming, and other activities.

The Committee's mandate focuses on non-profit facilities only. This excludes municipal and school facilities, which are already exempt, as well as commercial sports and recreation facilities, which are taxable. Local community sports and recreation facilities operated by community associations and agricultural societies are covered in later sections of this consultation paper. The primary focus of the Committee's recommendations is larger sports and recreation facilities operated by non-profit groups such as golf courses, curling rinks, ski hills, swimming pools, or other facilities.

Many municipalities are concerned with what they see as a change to the way some local sports and recreation facilities are treated for tax purposes. A number of golf courses, curling rinks and other sports facilities became taxable for the first time following changes to the Municipal Government Act.

There also are inconsistencies in which facilities are taxed and which are not. In rural communities, most curling rinks are exempt while in the cities, only some curling rinks are exempt. Hockey arenas and other multi-use facilities typically have been exempt, while some single use facilities, such as certain non-profit ski hills, were taxed.

The main problem is adult sports and recreation facilities, like golf courses, where there is a mixture of municipal, non-profit, private club, and openly commercial facilities. Some have suggested that all sports and recreation facilities, or at least those used mainly by adults, should be taxed because they compete with the private sector. Others suggest these facilities should be exempt if operated on a non-profit basis because they are open to the general public and would not be available without the volunteer efforts of the community.

Recommendations

- **Non-profit sports and recreation facilities that are accessible for use by the general public should be exempt from property taxes.**

- **For facilities chiefly used by adults, the municipality should be able to require a condition that, if the non-profit organization that owns the property dissolves, the property would be transferred to the municipality.**
- **The municipality should have the option to cancel all or part of the exemption on any non-profit sports or recreation facility chiefly used by adults.**

Impacts

- The recommendations would lead to a more consistent treatment of sports and recreation facilities operated by non-profit organizations and recognize the value they add to communities.
- Overall, implementing this recommendation for all non-profit sports and recreation facilities would reduce provincial education property tax revenues by $1.8 million a year. Municipal property taxes would be reduced by $2.8 million a year.

2. Professional Sports Franchises

Issues

There are a number of professional sports teams in Alberta. Their operating and ownership arrangements range from community owned and operated teams to fully private teams. However, even when the teams are privately owned, there normally are non-profit organizations involved in owning and operating the property.

Under current legislation, these properties should be assessed at market value and taxed accordingly. Many people support this position. In their view, providing public funding for professional sports is not acceptable, except perhaps through infrastructure programs or lottery funds. On the other hand, some people and some municipalities feel that professional sports teams contribute directly to the local quality of life and to economic prosperity, civic pride, and economic diversity in the community. Professional sports teams provide entertainment as well as national and international recognition and attention.

Recommendation

- **Any municipality with a population over 20,000 should be able to enter into an agreement with a professional sports franchise that would allow the sports team to pay a defined amount in lieu of property taxes. Conditions could be set requiring the sports franchise to make the facility available for amateur sport for use by the community on a part time basis at an affordable cost, or to make financial contributions to amateur sports activities in the community.**

Impacts

- The province would not lose education property tax revenues because the overall requisition to municipalities would not change. Municipalities would have to decide whether to require professional sports teams to pay education property taxes. If a municipality decides to exempt a professional sports team from education property taxes, the other non-residential taxpayers in the municipality would have to pick up the shortfall.
- Municipalities would not lose tax revenues unless they decided to sign tax agreements where the defined amount paid was less than the property taxes that otherwise would be due.
- This does not prevent municipalities from approving an exemption under section 364 of the Municipal Government Act if a non-profit organization is operating the facility and/or owns the professional sports team.

3. Community Associations and Agricultural Societies

Issues

Community associations and community leagues provide non-profit programs and services, particularly recreation services, to their communities. These organizations also play an active role in raising funds to maintain and upgrade community facilities such as local parks and playgrounds. Community associations and leagues often own property including community halls, playgrounds, sports fields, and indoor and outdoor ice rinks.

Agricultural societies operate primarily in rural communities. They provide volunteer and community services to improve agriculture and the quality of life in rural Alberta. Many agricultural societies operate local sports facilities and community halls. Some own facilities such as curling rinks, fair grounds, rodeo grounds, libraries and even golf courses. In many cases, there are multi-purpose facilities to serve the needs of small communities.

There are many parallels between community associations and agricultural societies. They support similar objectives of promoting family and community activities, sports, recreation and other programs. Both types of organizations serve an important role in developing community identity. They are based in specific communities, run by volunteers, provide open access to their facilities, and support their activities through low fees and fund raising activities. The primary difference between the two types of organizations is that agricultural societies operate in rural communities while community associations are very much a feature of large urban centres.

Under current legislation, specific provisions have been included to exempt agricultural societies from property taxes. While most community associations qualify for exemptions under the legislation, there are no specific provisions for exempting community associations and community leagues. Some argue that the specific

provisions for agricultural societies should be expanded to include community associations as well.

Recommendations

- **Community associations should be afforded the same exemption provisions as agricultural societies.**
- **The municipality should be able to require an agreement on the disposition of the property if the community association or agricultural society is dissolved.**
- **The municipality should also be able to cancel all or part of the exemption on any community association or agricultural society facility.**

Impact

- The impact of this recommendation should be minimal since the vast majority of community associations and agricultural society facilities are already exempt.

4. Exhibition Facilities

Issues

A number of non-profit organizations operate exhibition facilities in communities across the province. These organizations have been deemed agricultural societies and include: the Calgary Exhibition and Stampede Ltd., Edmonton Northlands, the Westerner Exposition Association in Red Deer, the Medicine Hat Exhibition and Stampede Company Ltd., and the Lethbridge and District Exhibition.

These organizations operate a variety of facilities including racetracks, hockey arenas, and multi-purpose facilities. They accommodate major sporting events, shows and other events, as well as being the location for major exhibitions.

Currently, these exhibition facilities are exempt because they are deemed to be agricultural societies.

Recommendations

- **Exhibition facilities operated by non-profit organizations should be exempt from property taxes provided that the facilities are accessible for use by the general public.**
- **However, the municipality should be able to require an agreement on the disposition of property if the non-profit exhibition organization is dissolved.**
- **The municipality should also be able to cancel all or part of the exemption on any non-profit exhibition facility.**

Impact

- The impact of the recommendations should be minimal since these facilities are nearly all exempt already.

5. Arts and Cultural Facilities

Issues

Arts and cultural facilities include performing arts facilities for live theatre, opera, orchestral, and dance groups, and facilities for literature, music, painting, sculpture, graphic arts and other similar creative or interpretive activities. They also include heritage and museum facilities.

There are many arts and cultural facilities across the province. Many are part of schools, universities or other institutions, or are privately owned. Only some are operated by non-profit groups.

The current legislation provides for neither a specific exemption for arts and cultural groups nor a general exemption that clearly applies to arts and cultural activities. However, many arts and cultural groups feel they should be exempt from property taxes. They argue that arts and cultural activities provide benefits not only to those directly involved but also to the overall quality of life in communities. In addition, most larger arts and cultural groups rely to some extent on government grants to fund and maintain their facilities. Their preference is not to use part of their government grants to pay property taxes.

Recommendations

- **Non-profit arts and cultural facilities should be exempt from property taxes provided they are accessible to the general public.**
- **However, the municipality should be able to require an agreement on the disposition of the property if the non-profit arts or cultural organization is dissolved.**
- **The municipality should also be able to cancel all or part of the exemption on any non-profit arts or cultural facility.**

Impacts

- The impact of this recommendation should be quite limited because the majority of arts and cultural facilities are currently treated as tax exempt properties.
- The total financial impact is estimated to be a decrease of $85,000 a year in provincial education property taxes and a decrease of $110,000 per year in municipal property taxes.

6. Day Care Facilities

Issues

Day care facilities are operated by a combination of private and non-profit organizations. About two-thirds of day care facilities are operated by for-profit organizations and the remaining one-third are operated by non-profit organizations. Many commercial and non-profit day care organizations hold property. Some own their own facilities, but many have leased areas in community halls, shopping centres, schools, churches and municipal buildings.

All day care facilities are required to meet the same standards and regulations set by the province. The primary difference is that non-profit organizations have access to fund-raising activities while commercial day cares do not.

Currently, there are no specific provisions in the legislation which exempt day care facilities from property taxes, but many municipalities view them as charitable or benevolent groups. Municipalities have been reluctant to tax non-profit day care facilities even though they compete with commercial ones. Some non-profit and for-profit day care organizations have argued that all day care facilities should be exempt from taxation.

Recommendations

- **Non-profit day care facilities should be exempt from property taxes but commercial day cares should continue to be taxable.**
- **The municipality should be able to require an agreement on the disposition of the property if the non-profit day care organization is dissolved.**
- **The municipality should also be able to cancel all or part of the exemption on any non-profit day care facility.**

Impacts

- The impact should be limited because many non-profit day care organizations have not been taxed.
- Estimates are that the financial impact would be a reduction of $90,000 a year in provincial education property taxes and $110,000 a year in municipal property taxes.

7. Unsubsidized Seniors Housing Facilities

Issues

Non-profit groups operate an estimated 55 seniors housing facilities in Alberta that do not receive provincial operating subsidies. Most of these facilities provide either self contained living facilities or lodge-type living facilities.

With changes to the Municipal Government Act in 1995, property tax exemptions for most non-profit groups operating seniors housing facilities were eliminated. The only non-profit seniors housing facilities that retained their exemptions were lodge facilities that received provincial operating subsidies. This is consistent with other programs for seniors which now are targeted to those seniors in the greatest need. Nursing homes and other long-term care facilities are exempt from property taxes.

A number of non-profit groups operating unsubsidized seniors housing facilities expressed concerns about the cost implications of being subject to property taxes, particularly since this would affect the rents charged to their residents. As a result, changes were made to allow municipalities to apply for grants in lieu of municipal taxes (accompanied by exemptions from education property taxes). However, this change was only authorized until the end of 1997. (This is now being extended to the end of 1998.)

Recommendations

- **Property tax exemptions for non-profit seniors housing facilities should be related to resident income and care needs. Non-profit seniors housing facilities should be exempt if they meet one of the following requirements:**
  - **(i) They provide a significantly higher level of care than is provided in most publicly subsidized lodges.**
  - **(ii) They provide a lodge level of care and the majority of their residents are low income and meet the requirements for a cash benefit under the Alberta Seniors Benefit.**
  - **(iii) They provide a lodge level of care and receive provincial operating subsidies.**
- **A five year transition period should be provided for those non-profit seniors housing facilities that do not qualify for a property tax exemption.**

Impacts

- The recommendation will have no impact in 1998.
- Unsubsidized non-profit seniors housing facilities that qualify for an exemption would not face any additional costs. However, those that do not qualify for an exemption would eventually have to pay full municipal and education property taxes.

- After the five year transition, provincial grants in place of taxes would be reduced by an estimated $1,000,000 a year. Provincial education property taxes would increase by $700,000 a year after the transition period.
- Net municipal property taxes would be reduced by $300,000 a year after the transition period.

8. Ethno-cultural Associations

Issues

There are a number of ethno-cultural non-profit organizations that operate facilities in Alberta communities. Membership in these organizations is normally based on ethnic origin. These organizations add value to communities. They help ethnic group members, organize social events, and operate educational and recreational programs and services. Their programs reflect the cultural diversity of the province and promote fairness, respect, acceptance and equal opportunities.

A number of ethno-cultural organizations hold property, including community halls, recreational facilities, libraries and club facilities.

Currently, there are no provisions in existing legislation to exempt ethno-cultural organizations from property taxes. In fact, these organizations normally are taxable because they have membership restrictions and restrictions on public access.

Several ethno-cultural organizations have argued that their organizations should be exempt from property taxes if they operate in the same way as a community association. Their view is that ethno-cultural organizations should not be taxed if they actively encourage public use of their facilities and offer programs that are open to the public.

Recommendations

- **Ethno-cultural facilities that are clearly accessible to the general public should be exempt from property taxes. Use of the facility by the general public must be actively encouraged by the ethno-cultural association.**
- **These facilities must be held by a non-profit ethno-cultural association and chiefly used for sports, recreational, educational, charitable, or other benevolent purposes.**
- **The municipality should be able to require an agreement on the disposition of the property if the non-profit ethno-cultural association is dissolved.**
- **The municipality should also be able to cancel all or part of the exemption on any non-profit ethno-cultural facility.**

Impacts

- The majority of all ethno-cultural facilities currently are taxable.
- Implementing this recommendation would reduce provincial education tax revenues by an estimated $400,000 a year and reduce municipal property taxes by $750,000 a year.

9. Charities with no Local Beneficiaries

Issues

Across the province, various organizations collect donations that are used for charitable or benevolent purposes outside the community. Many of the beneficiaries live in underdeveloped countries or are victims of disasters such as flood or earthquakes.

Some of these organizations own their own facilities or lease space in warehouses or shopping centres.

Under the current Municipal Government Act, there are no specific exemptions for charities with no local beneficiaries. The only way they can be exempt from taxation is if the use of the property is for the general public benefit; however, this is not defined in legislation. Some municipalities feel that these organizations should be taxed because "public benefit" should mean that significant benefits flow to the local community. Others argue that the work of these charities adds to our overall quality of life, and therefore they should be exempt.

Recommendations

- **Facilities held by charities should be exempt from property taxes even though the primary benefits go to people outside the local community.**
- **However, the municipality should be able to require an agreement on the disposition of property if the non-profit organization is dissolved.**
- **The municipality should also be able to cancel all or part of the exemption on any facility in this category.**

Impact

- Since there are few of these facilities, the impact of this recommendation should be minimal.

10. Thrift Shops and Sheltered Workshops

Issues

Thrift shops and sheltered workshops are operated by registered charitable groups which provide services to disadvantaged Albertans. Their objectives are not to make

a profit but to provide goods at a minimal cost to those in need and to provide employment to people with severe disabilities. Examples include the Interfaith Thrift Stores Association in Calgary and the Salvation Army.

Under current legislation, most of these facilities should be taxable because they are considered to be in competition with other discount stores. However, in several cases, municipalities have chosen to exempt these facilities from taxes. Many would argue that these organizations offer only a minimal amount of competition to commercial businesses because their customers would not be able to afford to shop at other businesses. Their employees would likely be unemployable in businesses other than sheltered workshops.

Recommendations

- **Non-profit thrift shop and sheltered workshop facilities should be exempt from property taxes.**
- **However, the municipality should be able to require an agreement on the disposition of the property if the non-profit thrift shop or sheltered workshop is dissolved.**
- **The municipality should also be able to cancel all or part of the exemption an any non-profit thrift shop or sheltered workshop facility.**

Impacts

- The financial impact of this recommendation should be very limited since most of these facilities are exempt already.
- Estimates are that provincial education property taxes would be reduced by $80,000 a year and municipal property taxes would be reduced by $20,000 a year.

11. Chambers of Commerce

Issues

Most larger communities in the province have local chambers of commerce that bring together various businesses to promote and advance business opportunities in their communities. Many of these chambers of commerce operate in municipal offices but a small number own or hold their own property.

Under the Municipal Government Act, there is no specific reference to chambers of commerce. The result is that interpretation of whether they are taxable or not varies from one municipality to another. Facilities that otherwise would be exempt are considered taxable when they operate a gift or souvenir shop that competes with commercial businesses. Most municipalities feel that chambers of commerce operate for the benefit of the community and therefore should not be taxed. There is general agreement that areas used for tourist information or for general business promotion should be exempt.

Recommendations

- **Non-profit chamber of commerce facilities that are used by the general public should be exempt. Exempt facilities should be chiefly used for the promotion of the community and its businesses or for other benevolent purposes.**
- **As in other recommendations, the municipality should be able to require an agreement regarding disposition of the property if the non-profit chamber of commerce organization is dissolved.**
- **The municipality should also be able to cancel all or part of the exemption on a non-profit chamber of commerce facility.**

Impact

- Since the chamber of commerce facilities in most communities have not been taxed, the implications of this recommendation should be minimal.

Other Issues

The Committee reviewed two additional issues:

1. Business Tax Exemptions

Issue

Under current legislation, non-profit organizations operating a business can be subject to a business tax imposed by municipalities. Municipalities can decide whether or not to provide exemptions for certain non-profit organizations. The key issues relate to those non-profit organizations that have commercial operations. Although the extent of competition with other businesses may be small, some municipalities take the position that any commercial activity competing with a tax paying business should be taxable.

Recommendations

- **The current business tax provisions should be maintained, except for the following:**
  - **Any part of a property held by a non-profit organization that is chiefly used for any commercial purposes should not be subject to the business tax if the funds raised are used to help pay the operating or capital cost of the facility or to support any activity or service qualifying for a non-profit property tax exemption.**
  - **A municipality should not be required to assess for business tax purposes the classes of business that it decides to exempt from the business tax.**

2. Valuation of Sports and Recreation Facilities

Issue

Assessing the value of sports and recreation facilities based on market value is a concern for many non-profit organizations. The issue is particularly important for golf courses and curling club facilities, although concerns also have been raised about assessment of other sports and recreation facilities including ski hills and swimming pools. They key concern is with the apparent unfairness of market valuations for such facilities across the province.

Recommendation

- **Special research is needed to establish appropriate valuation standards for golf courses and other specialized sports and recreation facilities. This research should be either facilitated or carried out by Alberta Municipal Affairs on a priority basis.**

Overall Impact of Recommendations

In terms of financial impact, we estimate that the impact of the recommendations will be a $4.0 million annual reduction in municipal property taxes and a $2.7 million annual reduction in provincial education property taxes. This represents a net loss of about 0.2% of the total education property taxes collected in the province. On the municipal side, the reduction in revenue amounts to 0.24 % of municipal property taxes collected across the province. The specific impact will vary by municipality.

The Committee believes that this loss of revenues is well justified by the overall benefits non-profit and volunteer organizations provide to the quality of life in communities and in the province as a whole. Both the province and municipalities will have to accept some loss of revenues in order to better support and encourage the activities of non-profit organizations. By clarifying who is exempt and who is not, and by expanding the range of organizations that are exempt, the efforts of non-profit organizations can be focused where they should be - on delivering community services, improving the quality of life, and building community spirit and pride in our province.

Next Steps

This consultation paper is being circulated widely to municipalities, non-profit organizations and other interested groups and individuals.

We are interested in hearing people's views on the draft recommendations proposed by the Committee. We ask you to complete the questionnaire at the back of this consultation paper as soon as possible and return it to Alberta Municipal Affairs by November 21, 1997.

Based on the feedback we receive, final recommendations will be prepared for the Minister of Municipal Affairs. Plans are for changes to legislation to be in place in the spring of 1998. Changes in regulations will be made over the next few months.

Questionnaire

Tell Us What You Think

Please provide your name and your organization's name and address so we can contact you if further clarification is needed.

General Issues

1. **Clarifying definitions**

   Do you agree with clarifying the definitions in the legislation and regulations? What are your comments on the specific definitions proposed by the Committee?

2. **Taxation of retail commercial areas**

   What are your comments on exempting retail commercial areas in non-profit facilities?

Deciding Which Facilities Should be Exempt

Do you agree with the draft recommendations on:

1. **Sports and recreation facilities**

2. Professional sports franchises

3. Community associations and agricultural societies

4. Exhibition facilities

5. Arts and cultural facilities

6. Day care facilities

7. Unsubsidized seniors housing facilities

8. Ethno-cultural associations

9. Charities with no local beneficiaries

10. Thrift shops and sheltered workshops

11. Chambers of commerce

Other Issues

1. Business tax exemptions

2. Valuation of sports and recreation facilities

Do you have any other specific comments or suggestions?

Please return this questionnaire to:

Brian Quickfall
Executive Director
Local Government Development Branch
Local Government Services Division
Alberta Municipal Affairs
17th Floor, 10155 - 102 Street
Edmonton AB T5J 4L4

(Fax: (403)420-1016)

Thank you for taking the time to review this consultation paper and to provide your views.

National Library of Canada
Bibliothèque nationale du Canada
3 3286 51632 4890

Alberta
Municipal Affairs